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EXAMINER

ZURITA, JAMES H

ART UNIT	PAPER NUMBER
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3625

DATE MAILED: 10/08/2002

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/624,732

Applicant(s)

SULLIVAN, GERALD P.

Examiner

James Zurita

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 17 January 2002.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 2-8,10,11,13-20 and 22-47 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 2-8,10,11,13-20 and 22-47 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☐ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____.
- 4) ☒ Interview Summary (PTO-413) Paper No(s). 10.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Supplemental Response to Amendment

This is in continuation to a Final Office Action, paper number 10, mailed on 19 April 2002.

After further review of applicant's amendment of 17 January 2002, Examiner withdraws the finality of the previous Office Action in order to apply new grounds of rejection. No amendments have been filed after the final rejection.

The reply filed on 17 January 2002 is not fully responsive to the prior Office Action because the title of the application is APPARATUS AND METHOD FOR CREATING AND MANAGING A FINANCIAL INSTRUMENT. All claims are to methods.

Claims 1, 9, 12 are cancelled. Other originally filed claims are amended except for Claims 8, 21. Claims 30-47 are new. A total of 44 claims, that is, Claims 2-8, 10-11, 13-20 and 22-47, remain and will be examined.

Applicant's arguments with respect to Claims 2-8, 10-11, 13-20 and 22-47 have been considered and are moot in view of the new ground(s) of rejection.

Response to Arguments

A First Action On the Merits rejected a number of claims as anticipated by applicant's sworn statements of 4 December 1998 to the Securities and Exchange Commission. Consistent with SEC standard practice, the SEC published these and other documents more than 1 year prior to when applicant filed his claims. Applicant disclosed a mutual fund, the INDUSTRY LEADERS FUND®, INDUSTRY LEADERS STRATEGY

MODEL® (<http://www.secinfo.com/dsvrt.75W9.htm#uqs>, form N-1A/A, SEC Files 333-62893, 811-08989, [*public*] Accession Number 950130-98-5798. This particular document is hereinafter referred to as the *SEC Filing*; page and line numbers are from the N-1A/A. The document was filed, indexed and publicly accessible in December 1998. Examiner sent a printed copy of this document in a First Office Action of 17 September 2001. Each page of the printed copy includes a date and time stamp (U.S. format, MM/DD/YY HH:MM AM/PM) of when the document was accessed by Examiner for printing. The *SEC Filing* also included a *prospectus* and a Statement of Additional Information (SAI).

Applicant argues that Examiner “has not established that the referenced SEC Filing is a publication under the provisions 35 USC Sections 102 or 103, and that Examiner has not made a *prima facie* showing that applicant’s SEC Filing is a publication for anticipation or obviousness purposes.” In response, see items (i – v):

- (i) Applicant filed a number of documents with the SEC for a mutual fund. In the instant application, Page 10, lines 6-9 state, “Total returns of the Strategy Model are returns on a hypothetical portfolio *whose results have been approved by the SEC that are included in a Prospectus for a mutual fund* composed of stocks selected by the Strategy Model (common shareholders equity) and re-balanced monthly [*emphasis added*].”¹

¹ A prospectus is a formal written offer to sell securities that sets forth the plan for a proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision (definition of Prospectus, Barron’s Dictionary of Business Terms).

(ii) The EDGAR database at the SEC has been available and searchable to persons concerned with the art to which the document relates at least since prior to December 4, 1998, the date of the SEC Filing in question. It is standard practice at the SEC to disseminate filings. To show this, Examiner attached selected materials found on DIALOG WEB®. The materials include:

- a) The SEC Opens the Door. (Securities And Exchange Commission's Electronic Data Gathering Analysis And Retrieval System), Castelluccio, Michael, Management Accounting (USA), v. 78, n. 1, p. 58(1), published July, 1996; retrieved from the Internet from Dialog Information Services; Dialog Accession number 00193444; date accessed: 04/12/2002.
- b) SEC Film File And Microfilm Dissemination, Sponsor: Securities & Exchange Commission, Procurement & Contracts Branch, published 19 November 1984; retrieved from the Internet from Dialog Information Services; Dialog Accession number 0779144; date accessed: 04/12/2002.
- c) Computerizing Uncle Sam's Data: Oh, How The Public Is Paying, Frances Seghers, Business Week, published 15 December 1986; retrieved from the Internet from Dialog Information Services; Dialog Accession number 0025288; date accessed: 04/12/2002.
- d) Government Project Frees Up Access to SEC Data, Communications Daily, v. 13, n. 205. Published 25 October 1993, Warren Publishing Inc.; retrieved from the Internet from Dialog Information Services; Dialog Accession number 02206561; date accessed: 04/12/2002.

- e) SEC Adopts New Electronic System, Cynthia Williams, Electronic Banking & Finance, v. 6, n. 4. Published June 1989 by Elsevier Science, Inc.; retrieved from the Internet from Dialog Information Services; Dialog Accession number 01109521; date accessed: 04/12/2002.
- f) Prepared Testimony Of Arthur Levitt, Chairman, U.S. Securities And Exchange Commission Before The House Committee On Appropriations Subcommittee On Commerce, Justice, And State, The Judiciary, And Related Agencies Concerning Appropriations For Fiscal Year 1997. Published 9 May 1996; retrieved from the Internet from Dialog Information Services; Dialog Accession number 00175957; date accessed: 04/12/2002.
- (iii) The SEC and commercial information services disseminate information via publicly accessible databases. See at least "Important Information About EDGAR" www.sec.gov/edgar/aboutedgar.htm last modified and published 28 June 1999, and "FTP Information on the EDGAR database" <http://www.sec.gov/edgar/searchedgar/ftpusers.htm>, referring to publishing by a company called TRW after 11 November 1998. Retrieved from the Internet on 04/17/2002.
- (iv) Contrary to applicant's assertions, printed and electronic copies of his disclosures, indexed and catalogued by year, quarter, company and fund name, may be obtained from the SEC's file transfer protocol server. For example, <ftp://ftp.sec.gov/edgar/full-index/1998/QTR4/> contains SEC Filings published for the fourth quarter of 1998. Applicant's SEC Filing, published in December 1998,

is among them. The downloadable zipped index and data files contain names and text of filings received at the SEC. A printed copy of this index was provided to applicant. The list of materials was retrieved from the Internet from the SEC ftp site; it was accessed on 04/12/2002.

- (v) Applicant argues that there is no proof that the web site from which the SEC Filing was accessed had been cataloged by the use of metatags. In response, <META> tags are not necessary for indexing or cataloging documents. In fact, <META> tags became widespread only *after* 1995,² while indices, databases, catalogs and the Internet have been in wide use since at least the late 1960's.

Applicant relies on *Cronyn* and *Bayer* to argue that his sworn statements were not accessible to the public or to persons concerned with the art to which the document relates. In *Cronyn*, a federal court in 1989 held that a college thesis that had not been indexed or cataloged but only identified by the name of the student author, was not "accessible to the public" and, thus, was not an effective reference (MPEP 2128 at 2100-66). However, MPEP 2128 also states that the doctoral theses were *shelved* and indexed by index cards filed alphabetically by student name. The index cards were kept in a *shoe-box* in the chemistry library³. The index cards only listed the student name and title of the thesis. Applicant's arguments concerning *Cronyn* and *Bayer* are not

² Release 2.0 of the Hypertext Markup Language/HTML, http://www.w3.org/MarkUp/html-spec/html-spec_toc.html. This and other documents are also published and sold as computer books by many publishers. The attached document was published in 1995 and was retrieved from the Internet on 12 April 2002.

³ of Reed College, a local liberal arts college in Portland Oregon, 13 USPQ2d at 1071.

persuasive, and applicant's reliance on *Cronyn* and *Bayer* is misplaced for reasons explained in items (i -iii):

- (i) In contrast to *Cronyn*, the facts of the instant case reveal an applicant who actively seeks investment and private money for a mutual fund, which is regulated by the Securities and Exchange Commission. Information concerning applicant's reputation, qualifications and financial disclosures are of public record at the SEC and has been widely disseminated.⁴ The information is readily available to a person concerned with the art to which the document relates, the standard set by the *Wyer* court⁵. Applicant sought and obtained Trademark protection for his INDUSTRY LEADERS FUND ® (Serial number 75007304, filed 1995, registered 10 March 1998).
- (ii) In contrast to *Cronyn*, applicant's SEC Filings, including the SEC Filing of December 4, 1998, are published, indexed and catalogued at least by name and title, text and Boolean operators, in other databases. Examiner included a printed copy of "Claremont to manage new fund," hereinafter *ClaremontNewsLetter*, published 21 September 1998, in Mutual Fund Market News, v. vi, n. 37, page 20. *ClaremontNewsLetter* identifies applicant's company, Claremont Investment Partners, the INDUSTRY LEADERS FUND®, the INDUSTRY LEADERS STRATEGY MODEL®. Retrieved from the Internet from DIALOG WEB®, Dialog Information Services; Dialog Accession number 2261569; date accessed: 08/29/2001. DIALOG WEB® is searchable at least by

⁴ see at least section entitled Portfolio Manager in N-1A/A, pages 20-21 of the SEC Filing.

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text and Boolean operators. Search terms may include words such as *mutual*, *funds*, *stock*, *allocation*, *allocate*, *industry*, *percent*, *etc.* One may also enter parameters such as *dates*.

- (iii) In contrast to *Cronyn*, applicant's has multiple filings at the SEC and widely disseminated. Examiner included a partial list of other sworn disclosures from 31 March 1997 through 29 August 2001. The *index* is from www.secinfo.com, a commercial service that disseminates SEC publications. The index was retrieved from the Internet on: 08/31/2001. As per SEC standard practice, the items are indexed and publicly accessible when the contents are loaded onto the SEC databases. The list was made of record in an Office Action of 19 April 2002. A duplicate copy of this list was faxed to applicant's counsel on 20 September 2002.

Applicant presented arguments in an attempt to exclude his sworn statements as prior art. Applicant argues that his SEC Filings (including his SEC Filing of December 4, 1998) at the SEC/EDGAR sites are not indexed and are therefore not accessible to persons concerned with the art to which the document relates. Applicant concludes that, as a legal matter, his SEC Filing may not be applied for purposes of Section 102 and 103 in view of *Cronyn*. Examiner will first discuss his findings of fact and then respond to issues of Law raised by applicant.

- (i) Applicant's statements concerning access are factually incorrect. Applicant's SEC filing were published in December 1998 by the SEC, in accordance to SEC

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standard practice. The filings were publicly accessible in at least two additional databases since December 1998. As evidence, Examiner included selected pages retrieved on 9 April 2002 from DIALOG WEB® and from WESTLAW®. The information was published on 4 December 1998 and 7 December 1998, respectively. Both tools permit public access and searches using text and Boolean queries; both tools are well-known to persons concerned with the art to which the document relates. These tools have been widely used electronically for at least several decades; in printed form, they have been available even longer. Even if a person concerned with the art to which the document relates were to turn a blind eye to information on the SEC databases and to SEC standard practice concerning dissemination of data, such a person would nevertheless be faced with applicant's disclosures elsewhere.

- (ii) Applicant raises several aspects of *Cronyn* to support his arguments above: (1) storage of the data being indexed and (2) number of indices and contents of an index (3) public accessibility of both data and index. As to item (1), in *Cronyn*, the data being stored on *shelves* was an undergraduate student thesis at a local Oregon college. In the instant case, applicant's paper filings are stored with the SEC and are also available on microfilm; copies are kept at the SEC and at SEC regional depository libraries. The electronic form of applicant's filing is stored in several physical and logical databases. As per item (2), concerning number of indices and contents of the index, *Cronyn* had one entry, and that entry was kept
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on an index card. The index entry contained the student's name and the title of the thesis. In the instant case, any one of the mentioned databases has multiple indices, such as a person's name(s), company name(s), topic (e.g., "mutual fund" "security" "investment", etc.). The various indices and databases permit text and Boolean searches, proximity parameters and "wild card" searches, among others. As per item (3), concerning public accessibility of data *and* index, *Cronyn's* index was stored in a shoe-box in the college's chemistry library, the thesis was shelved. In the instant case, the various indices and databases, such as SEC, EDGAR, DIALOGWEB® or WESTLAW®, are accessible via the Internet and the *World Wide Web* [emphasis added]. Access to this media requires only a computer and a modem. If a person concerned with the art to which the document relates does not have a computer and a modem, and could not visit a SEC depository library, that person may avail himself of a computer and Internet connection at a local public library in the United States and gain access. Thus, applicant's argument is not persuasive.

Examiner has raised the presumption that, in accordance with SEC standard practice, applicant's SEC filings are published and disseminated at least to that portion of the public concerned with the art. Examiner's presumption has not been rebutted. MPEP 2128 at 2100-65 states that [PTO] Office policy requiring recordation of the field of search and search results (see MPEP § 719.05) weighs in favor of finding that Internet and on-line database references cited by the examiner are 'accessible to persons concerned with the art to which the document relates and thus most likely to

avail themselves of its contents.⁶ Similarly, a federal court found that database printouts of abstracts which were not themselves prior art publications were properly relied on as providing evidence that the [software] products referenced therein were "first installed" or "released" more than one year prior to applicant's filing date.⁷ Federal courts have found that general library cataloging and shelving practices showed that a doctoral thesis deposited in university library would have been indexed, cataloged and shelved and thus available to the public before the critical date.⁸ In contrast, a reference will constitute a "printed publication" as long as a presumption is raised that the portion of the public concerned with the art would know of the invention even if accessibility is restricted to only this part of the public; accessibility to applicant's thesis was restricted to only *three* members of a graduate committee.⁹ In *Bayer*, the court found that there could be no presumption that those concerned with the art would have known of the invention. In contrast, Examiner has raised the presumption that SEC standard practice would have assured that those concerned with the art would have known of the invention.

In summary, Applicant's documents have been widely disseminated and publicly accessible in various forms (including print, film, microfilm, databases, indices, sales brochures, press releases, via *ftp* and *http* servers) at least since the date he filed them

6 In re Wyer, 655 F.2d 221, 210 USPQ 790 (CCPA 1981).

7 In Re Epstein, 32 F.3d 1559, 31 USPQ2d 1817 (Fed. Cir. 1994).

8 In re Hall, 781 F.2d 897, 228 USPQ 453 (Fed. Cir. 1986).

9 In re Bayer, 568 F.2d 1357, 196 USPQ 670 (CCPA 1978).

with the SEC. Their wide dissemination assures that these and other documents will be available for retrieval in the future.

Specification

The disclosure is objected to because of the following informalities.

Regarding Fig. 10, the description found on page 3 states that "Fig. 10 illustrates an example of this invention's portfolio for the data element of common shareholders equity." The title of Fig. 10 is "Illustrative Embodiment using Common Shareholders Equity as Data Element." However, page 9, lines 20-21 states "an algorithmic example of the industries of the embodiment [are] found in figure 10. When the data processing system is run, the following results . . ." It is not clear whether the words *following results* refer to (a) the contents of Fig. 10, or (b) the data found on page 10 of the specification, entitled "Historical Performance of the Invention," or (c) something else. It appears that Fig. 10 represents an intermediary sorted file produced by applicant after a sort step not labeled in Fig. 1, since Fig. 10 contains industry classification data from an input file (such as from VALUE LINE®). The industry classification shown is created outside applicant's invention (see rejection of claims 30, 35, 38, 40, 42, 44 and 47 under section 112, paragraph 2, below). Applicant's amendment, page 10 of marked copy, did not clarify this issue.

In relation to claim 30, page 14, line 5, item (d) should be changed to (c), since Claim 30 has only items a-c.

In relation to claim 38, page 18, line 2, step (d) should be changed to step (e).

In relation to claim 42, page 18, line 9, claim 41 should be changed to claim **42**.
Page 18, line 10 contains the text “. . . of the same group . . .” The word **same** is not found in claim 41 or claim 42; it is found only in Claim 8.

In relation to claim 47, page 19, line 15, claim 46 should be changed to claim **47**.
Also, Page 19, line 16, quotes claim 47 (c) as stating “dividing selectively an industry allocation into at least first and second parts thereof.” Claim 47 (c) **does not** contain the word *thereof*.

For purposes of this examination, Examiner will apply the corrections listed above. Applicant is encouraged to review the application for similar errors. Correction is required.

Claim Objections

Claim 28 is objected to because of the following informalities: claim 28 states, “wherein said step of allocating said industry allocation among . . .” There is no verb. Examiner believes this to be a word processing error and that claim 28 is intended to mirror amended claim 10, which states, “wherein said step of allocating *allocates* said industry allocation among.”

Several marked-up claims are different from claims in the clean copy: Claims 13 and 14 depend on claim 46 in the marked-up copy, but depend on claim 47 in the clean copy. For reasons stated in 37 CFR 1.121 (c) (1)(ii)(2001), examiner will rely on text in the clean copy.

Claim 40 (c) contains the text "allocating an industry allocation *to each to each* industry group of said plurality" This seems to be a word processing error. For purposes of this examination, Examiner will remove one of "to each."

Claim 47(b) contains the text "summing said *date* element." This appears to be a word processing error and should be changed to "summing said *data* element."

For purposes of this examination, examiner will enter the above changes.
Appropriate correction is required.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 2-8, 10-11, 13-20 and 22-47 are rejected under 35 U.S.C. 101 because the claims have no connection to the technological arts and are directed to non-statutory subject matter. While the term *data element* may be used to infer that the information is being provided using some type of electronic communication medium, the information could also be provided using a vocal medium (i.e. spoken) and is, therefore, directed to non-statutory subject matter.

The invention as recited in the claims is merely an abstract idea that is not within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory

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matter. The mere recitation in the preamble or mere suggestion in the claim that a machine is performing some or all of the steps in the method is **not enough** to place the claimed invention in the technological arts. The body of the claims must unambiguously recite that a machine/apparatus is performing the step(s) and/or integrally involved in the process.

To overcome this rejection, the Examiner recommends that the Applicant amend the claim to clarify that the methods are using a medium within the technological arts, such as replacing "data element" with "an electronic data element" or a specific medium such as the Internet, computer network, etc.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claim 4 recites the limitation "said updating step" in claim 1. There is insufficient antecedent basis for this limitation in the claim. *Updating step* first introduced in claim 2. Claim 4 depends directly from claim 1.

Claim 19 recites the limitation "said set amount" in claim 12. There is insufficient antecedent basis for this limitation in the claim. *Set amount* is first introduced in claim 16. Claims 16 and 19 both depend from claim 12.

Claim 37 recites the limitation "said one utility group." There is insufficient antecedent basis for this limitation in the claim. There are no references to a utility group in the specifications or in the preceding claims. This appears to be a word processing error. For purposes of this examination, Examiner will interpret the cited text of claim 37 to state "said one industry group."

Claims 30, 35, 38, 40, 42, 44 and 47 are rejected under 35 U.S.C. 112, first paragraph, because the specification, while being enabling for assigning a security of a population to an industry group, does not reasonably provide enablement for how applicant assigns. The specification does not enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to the invention commensurate in scope with these claims. The assigning step in these claims are specifically excluded from the scope of applicant's invention. Applicant states that *assigning* a security into an industry group is not part of the invention¹⁰ and that Value Line assigns securities to different industries periodically (weekly, biweekly, monthly, quarterly, etc.¹¹ See also disclosures, which show that *Value Line* assigns each

10 Finally, the present system excludes from the universe companies included in Value Line as "miscellaneous" but which have not yet been assigned an Industry category because the invention does not assign industry categorization [disclosures, page 4, lines 21-23, emphasis added].

11 Value line lists approximately the 1,700 of the largest publicly traded companies and classifies each company into an industry category, and is a good source to provide the contents of industries and representative companies for the previous 14 years. This established a fluid universe of equities to which we apply the data processing system. Step 4 sorts the industries and companies within each industry and formats them in a way that allows the data processing system to allow the universe to be refined [disclosures, page 4, lines 5-11, emphasis added].

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security in a population is assigned periodically to an industry, and that such cycles may occur weekly, bi-weekly, monthly, quarterly, etc.¹²

Claims 12, 16, 19, 47 are rejected under 35 U.S.C. 112, first paragraph, as containing subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. Applicant disclosures do not mention a first or second part.

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 2, 10, 11, 13, 20, 22, 28, 29, 30, 35, 39, 40, 42, 44, 45, 47 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. These claims refer to a data element. The claims do not specify which (one or more) data elements is/are being used.

¹² Step 10 uses the universe "update cycle" to determine how often changes are made to a given industry. An update cycle is the frequency to which the universe is modified by the publisher. Value Line changes [their industry compositions every 3 months (1 quarter) and the cycle is set to 1 quarter. Standard and Poors and Bloomberg have different update cycles so step 10 would be different for these universes. In establishing this example universe of stocks, the invention also adjusts the Industry category of "Banks" to include "Banks Midwest" so as to unify the banking Industry analysis. Step 12 sorts the companies into the editions (weekly updates, numbering 13) found in Value Line which allows for an organized presentation of data from this data processing system. Step 14 highlights the update cycle found in the universe and this illustrative example describes the weekly update found in Value Line's quarterly update cycle. Industries and companies are included in this invention only for the periods during which they are published in the chosen universe by step 12 [disclosures, page 4, line 26-page 5, line 7, emphasis added].

In claims 32, 33 and 34, the term "dependent" in claims 32, 33 and 34 is a relative term which renders the claim indefinite. The term "dependent" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. The indefinite nature of these claims is highlighted by applicant's language of page 1, lines 26-29, which states, "This invention has the same goal as these proprietary models (to be differentiated from actively managed funds by association to a discipline), yet this invention attempts to use a rigid and unique methodology to achieve the creation of understandably allocated portfolios." Since applicant calculates investment allocation by various products, ranges, proportions, percentages, number of securities and industries, these claims are indefinite in that applicant has failed to disclose how the dependence is measured.

Claims 37, 42 and 43, the use of the term "number" is indefinite as used in new claims 37 (a second *number* of securities of said one industry group, said second *number* being greater than said first *number*), new claim 42 ("greater than another of said plurality of securities), and new claim 43 ("the greater of said one and said other securities"). This use of the term is inconsistent with the disclosure and how the term is used in other claims. In the disclosure and other claims (such as 24, 26, 27, 36 and 38), the term "greater than" is used when comparing amounts and derived totals with a declared first or second limit, such as "greater than said limit" and "greater than said first limit" and "greater than said second limit." As used in claims 37, 42 and 43, it is unclear

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whether the term refers to a count of how many securities are in a set or subset or whether the term refers to a sorting function of a set where security numbers are being compared.

Claims 38 is rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claim 38(b) recites summing of a value but fails to state which value is being summed. This appears to be a word processing error, since summing functions in 30(b), 35(b), 40(b), 42(b), 44(a) and 47(b) refer to summing one of a number of data elements for each security. Summing a "value" renders the claim indefinite, since the disclosures use the term value to refer to Value Line® and to the percentage value in one of upper and lower ranges of an investment percentage. For purposes of this examination, examiner will interpret these claims to reflect this correction.

Claims 41, 2 and 3 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 41, 2 and 3 use the term *update* and *updating* in the context of updating a *data element*. Applicant defines data element as input and provides several examples on page 5, lines 8-19. VALUE LINE ® Input as described by the invention cannot be modified.

Claims 41 is rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 41 recites access of a *real time* source for the purpose

of obtaining a current value of each security. While VALUE LINE® and others might provide such services, applicant's claims relate to batch processing rather than real time processing. In batch processing, input files that contain new information concerning the data elements are obtained and the information updated from the input data on a cyclic basis, not in real time.

As to claim 42, the term "substantially" in claim 42 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of scope of the invention.

Claims 42 is indefinite because claim 42(d) does not specify how one determines "whether one of said plurality of securities of said one industry group is greater than another of said plurality of securities of said one industry group by a predetermined amount." Examiner believes this is word processing error and that claim 42(d) should read, "whether a data element of one of said plurality of securities of said one industry group is greater than a data element of another of said plurality of securities of said one industry group by a predetermined amount for the specified data element."

Claims 43 is indefinite for reasons similar to those cited for claim 42(d). Claim 43 states, "The method of claim 42, wherein *if* said one security is greater than said other security of said one industry group by more than said predetermined amount, allocating said allocation only in the greater of said one and said other securities." Examiner believes this is word processing error and that claim 43 should read, "The method of claim 42, wherein *if* said *one data element of one* security is greater than *one data*

element of said other security of said one industry group by more than said predetermined amount, allocating said allocation only in the greater of said one and said other securities." For purposes of this examination, examiner will apply these corrections to claims 42 and 43.

Claim Rejections - 35 USC § 103

The text of those sections of Title 35, U.S. Code not included in this action can be found in a prior Office action.

Claims 2-8, 10-11, 13-20 and 22-47 are rejected under 35 U.S.C. 103(a) as being unpatentable over applicant's SEC Filing of 4 December 1998 in view of Wolfberg et al. (US Patent 5,745,706)/*Wolfberg*.

The SEC Filing discloses methods of *allocating* an investment among a population of securities, each security having at least one corresponding data element, the method comprising the steps of:

- a) *assigning* each security of said population to a corresponding industry group of a plurality of industry groups.
- b) *summing* said data element of each security of said population to provide an *industry total* of the data element for each of said corresponding industry groups and an *universe total* of the data elements of each security of said population;
- c) *allocating* an *industry allocation* to each to each industry group of said plurality repeating step a) of assigning at selected times to accurately account for those securities which have changed their industry (see at least assigning step, above,

which shows that (1) applicant's invention does not assign industry categorization, and that (2) VALUE LINE® assigns securities to industry groups. In addition, repeating certain steps is a basic element in computer programming.

- d) *determining* the magnitude of said industry total of said one industry and setting said number of securities in accordance with said magnitude of said industry total of said one industry group.

The SEC Filing, page 12, lines 28-29 states "Value Line Investment Survey ® classifies each company into an industry category on the basis of primary business activity. SEC Filing, page 12, lines 31-32, states, "The Strategy Model ranks the industries by aggregating common stockholder's equity of all companies included within each industry." Thus, a total for an industry can be added to a data field to provide a universe total, i.e., the total for the portfolio as a whole. Applicant acknowledges this on page 15 of the SEC Filing, where he further discloses that specified upper and lower boundaries may be percentages (3%, 14% and 25%) of [the] fund portfolio total that would be allocated to any one industry. Percentages and proportions of a part can be calculated only in relation to an entire universe. Accumulation is normally done at each control breaks, which are common features in a computer program. Computer languages provide for data fields. For example, different totals can be defined in the DSECT (Data Section) in an IBM assembler language program, in the WORKING-STORAGE section of a COBOL program, or as a global variable in C or C++ programs). The SEC Filing also states, page 12, lines 38-43, that

The Strategy Model then selects for investment one or more companies which have the highest common stockholders' equity within each industry [this necessarily involves ranking and control breaks at industry level]

The Strategy Model, in this way, creates, allocates and maintains a broadly diversified portfolio of companies which have the highest common stockholders' equity of their respective industry.

The SEC Filing discloses that cycles and frequency may vary according to a fund's diversification criteria. See at least Page 12, line 39 (monthly), page 15, line 43 (staggered, other cycles). Cycles may be of the same length (see references to monthly allocations, page 15, second to last paragraph, "[. . .] re-allocates the [. . .] portfolio monthly"; and page 18, first paragraph, ". . . portfolio composed of stocks selected by the [. . .] model and re-balanced monthly."

The SEC Filing discloses the steps of comparing and allocating an investment allocation among (a) a selected one or more of said securities of said one industry group (claims 10 and 11, see at least SEC Filing, page 12, Lines 34-43); (b) all of said securities of said one industry group (claim 28; see at least SEC Filing, page 12, lines 33-40, which discloses that the allocation may be distributed to one or more companies within an industry group) and (c) all of said securities of said one group proportionally to the magnitudes of each of said data elements of said securities of said one industry group (claim 29; see at least SEC Filing, page 12, lines 33-34).

The SEC Filing discloses the ranking of securities of an industry group according to the magnitude of their data elements (see at least Page 12, lines 31-32); limiting a security allocation to each security of a population so as not to exceed a set amount and setting a limit as a proportion of said universe total (see at least Page 37, lines 1,2);

setting a proportion to 2.25% (see at least Page 15, line 19); limiting said first (or any) part so as not to exceed a set amount (see at least Page 37, lines 1,2); setting an amount as a proportion of said universe total (see at least Page 15, lines 16-21); comparing a part to an amount and performing routines according to the results of the comparison.

The SEC Filing, page 15, discloses specific percentages (3%, 14% and 25%) of a fund portfolio total that would be allocated to any one industry. Percentages and proportions can be calculated only in relation to an entire universe. The values specified as percentages can therefore also be expressed as set amounts.

The SEC Filing describes the use of percentages to calculate an investment allocation. See at least page 12, which states, "The common stockholders' equity ranking of each industry determines the *percentage* of the Fund's portfolio investment to be made in each industry." Specified percentages, such as 3%, 14% and 25% of a fund portfolio may be allocated to any one industry. The SEC Filing discloses the use of first and second limits as part of an investment policy (see at least SEC Filing, page 12, lines 34-43 as well as page 15, Investment Policies). For example, the SEC Filing states,

" . . . will not have more than 14% of Fund Portfolio assets in any one industry"

" . . . will not have more than 3% of Fund Portfolio in any one company, "

" . . . will not have its top 10 holdings > 25% of the Fund portfolio."

The SEC Filing does not specifically describe how securities are reassigned. However, applicant uses VALUE LINE® as an example of an input file. VALUE LINE®

categorizes securities by industry sector and provides this information. It is well known that a fund manager has fiduciary responsibilities to investors. These responsibilities include that he perform all or some of the following: re-evaluate, re-assign, re-calculate (including by sum or other arithmetic process), re-allocate, re-compare. A fund manager's success depends upon reiterative analysis and evaluation of a universe of mixed assets to maximize returns on investment.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to extend the SEC Filing to include various ways of reassigning a security within an industry group or sector.

One of ordinary skill in the art at the time the invention was made to extend the SEC Filing would have been motivated to include various ways of reassigning a security within an industry group or sector for the obvious reason that by doing so, a fund manager may be able to make more money for his investors by protecting the investments from fluctuating markets in particular industries. A fund manager would want to distribute the inherent risk of investing among a broad base of items so as to minimize the impact of downward slopes in the economy, or to take advantage of stabilizing trends in the economy.

The SEC Filing does not teach spending flexibility guidelines, allowing a human fund manager or a computer program to control associated asset mixes within investment guidelines. *Wolfberg* teaches that in alternative embodiments of their invention that percentages, fixed sums and dates certain may comprise alternative values, chosen by the account holder from a set of alternatives offered by the account

manager. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for his financial product offering (see at least col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, *Wolfberg's* spending flexibility guideline model would be applicable even while adhering to an indexed fund with an asset mix determined by industry type.

Therefore, it would have been obvious to one of ordinary skill in the art to include in the SEC Filing the concept of spending flexibility guidelines to allow a human fund manager or a computer program to control associated asset mixes within investment guidelines.

One of ordinary skill in the art to include in the SEC Filing the concept of spending flexibility guidelines would have been motivated to allow a human fund manager or a computer program to control associated asset mixes within investment guidelines for the obvious reason that a fund manager may apply human instinct and personal skills where a computer program would be unable to do so. A human manager may apply skills learned at business schools and in interactions with other experts to better guide and fine tune automated processes. It is well known that in periods where an industry is undergoing expansion, a fund manager might prefer to invest in several industry securities as an alternative to more traditional ways of holding uninvested fund assets. A manager may offer the account holder a set of alternative values having differing fixed sums or dates certain, each having the feature that the

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account holder achieves a spending flexibility service or an investment gain over other financial products, while the account manager is compensated for its financial product offering (see at least col. 6, lines 6-21, and more generally, Col. 6, line 54 to Col. 10, line 32). Thus, *Wolfberg's* spending flexibility guideline model would be applicable even while adhering to an asset mix determined by industry type.


Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to James Zurita whose telephone number is 703-605-4966. The examiner can normally be reached on 8:30 am to 5:00 pm, M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on 703-308-1344. The fax phone numbers for the organization where this application or proceeding is assigned are 703-305-7687 for regular communications and 703-305-7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.

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James Zurita
Patent Examiner
Art Unit 2165
October 7, 2002


JEFFREY A. SMITH
PRIMARY EXAMINER